



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

November 1, 2001

H.R. 3150 **Secure Transportation for Americans Act of 2001**

As introduced in the House of Representatives on October 17, 2001

SUMMARY

H.R. 3150 would establish the Transportation Security Administration (TSA) at the Department of Transportation (DOT). The head of the TSA, the Under Secretary of Transportation for Security, would coordinate and direct aviation security.

H.R. 3150 would authorize the appropriation of such sums as may be necessary for aviation security, and would create new fees to offset nearly one-half of the new security costs. Assuming appropriation of the necessary amounts, CBO estimates that implementing the bill would cost \$14.3 billion over the 2002-2006 period, and would increase offsetting collections by about \$7.3 billion over the 2002-2006 period. Thus, CBO estimates the bill would have a net cost of about \$7.0 billion over the 2002-2006 period. H.R. 3150 would not affect direct spending or receipts; therefore, pay-as-you-go procedures would not apply.

H.R. 3150 would authorize increased federal responsibility for airport security and passenger and baggage screening. The bill would authorize the Under Secretary to supervise, train, and test the screening work force at commercial airports. Under the bill the FAA could implement its responsibilities for air transportation security by using a federal workforce or a mix of federal employees and private-sector employees working under contract for the federal government. The bill would require passengers to pay up to \$2.50 for each one way trip to recoup the cost of screening. Finally, air carriers would pay fees if the passenger fee is insufficient to recoup all of the costs of screening.

The bill also would authorize the deployment of air marshals on selected commercial flights. H.R. 3150 would authorize the Secretary of Transportation to make grants to air carriers for reinforcing cockpit doors, providing video monitors in airplanes, and ensuring the use of transponders in emergencies. The bill would authorize the TSA to provide new technologies to enhance aviation security. In addition, H.R. 3150 would authorize DOT to reimburse airports for costs associated with complying with increased security measures following the September 11, 2001, terrorist attacks.

H.R. 3150 contains intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA), but CBO estimates the costs to comply with the mandates would not exceed the threshold established in the act (\$56 million in 2001, adjusted annually for inflation). In addition, H.R. 3150 would authorize funding to cover the costs incurred by airport authorities to meet new security requirements put in place after September 11, 2001.

H.R. 3150 would impose private-sector mandates, as defined by UMRA, on airline passengers, U.S. and foreign air carriers, and commercial airplane manufacturers. CBO estimates that the direct cost of those mandates would exceed the annual threshold established by UMRA for private-sector mandates (\$113 million in 2001, adjusted annually for inflation) in each of the first five years the mandates are in effect.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

CBO estimates that implementing H.R. 3150 would cost about \$14.3 billion over the 2002-2006 period, subject to appropriation of the estimated amounts. In addition, we estimate that H.R. 3150 would increase offsetting collections by about \$7.3 billion over the 2002-2006 period. As a result, net discretionary spending under the bill would be approximately \$7 billion over the next five years. The estimated budgetary impact of H.R. 3150 is summarized in Table 1. The costs of this legislation fall within budget function 400 (transportation).

Table 1. Summary of the Budgetary Effects for H.R. 3150

	By Fiscal Year, in Millions of Dollars				
	2002	2003	2004	2005	2006
CHANGES IN SPENDING SUBJECT TO APPROPRIATION					
Gross Spending Under H.R. 3150					
Estimated Authorization Level	3,231	2,463	2,848	2,973	3,147
Estimated Outlays	2,230	3,166	2,807	2,958	3,128
Offsetting Collections					
Estimated Authorization Level	-1,000	-1,438	-1,534	-1,606	-1,710
Estimated Outlays	-1,000	-1,438	-1,534	-1,606	-1,710
Net Spending Under H.R. 3150					
Estimated Authorization Level	2,231	1,025	1,314	1,367	1,437
Estimated Outlays	1,230	1,728	1,273	1,352	1,418

BASIS OF ESTIMATE

For this estimate, CBO assumes that the legislation would be enacted this fall and that necessary amounts would be appropriated each year.

Establishing the Transportation Security Administration and recruiting, training, and deploying a workforce of about 24,000 employees with direct responsibility for passenger and baggage security would be challenging and require a number of years to be fully operational. H.R. 3150 does not specify a schedule for the transition from the current private contractors used by the airlines to a new workforce of federal employees or a combined workforce of federal and contractor employees. The bill specifies that the Under Secretary is to assume responsibility within three months of enactment. For this estimate, we assume that the Under Secretary will use existing contractors and enter into agreements with states and local governments and existing federal law enforcement agencies to supply security until there are sufficient federal employees or new contractor employees in place for airport security. We estimate that hiring existing contractors and state and local law enforcement personnel for this short duration would cost about the same as a fully operational federal workforce over a similar period.

New Spending Requirements

H.R. 3150 would authorize the appropriation of such sums as may be necessary for aviation security over the 2002-2006 period. These funds would be used for hiring and supervising passenger and baggage screening personnel, hiring additional air marshals, implementing enhanced airport security measures, reimbursing airports for increased security costs, and for grants to air carriers to enhance security on airplanes. Table 2 itemizes these new spending requirements.

Passenger and Baggage Screening. Section 3 would authorize the Under Secretary of Transportation for Security to develop and implement a program to screen all passengers, carry-on and checked baggage, cargo and mail for illegal and dangerous items. The Under Secretary would be responsible for training, testing, and supervising screeners on a day-to-day basis. Under the bill, all screening supervisors would be uniformed federal personnel, but the screeners could be contractors, federal employees, or some combination thereof, at the Under Secretary's discretion. In addition, the Under Secretary would be authorized to deploy federal law enforcement personnel at each passenger screening location.

Table 2. New Spending Under H.R. 3150

	By Fiscal Year, in Millions of Dollars				
	2002	2003	2004	2005	2006
CHANGES IN SPENDING SUBJECT TO APPROPRIATION					
Passenger and Baggage Screening					
Estimated Authorization Level	1,000	1,438	1,534	1,606	1,710
Estimated Outlays	889	1,389	1,523	1,598	1,699
Law Enforcement and Administration for Screeners					
Estimated Authorization Level	466	621	662	693	739
Estimated Outlays	415	604	658	689	734
Air Marshals					
Estimated Authorization Level	102	340	586	607	629
Estimated Outlays	92	316	561	605	627
Enhanced Security Measures					
Estimated Authorization Level	63	64	66	67	69
Estimated Outlays	34	57	65	66	68
Reimbursement of Airports					
Estimated Authorization Level	1,100	0	0	0	0
Estimated Outlays	550	550	0	0	0
Grants to Air Carriers					
Authorization Level	500	0	0	0	0
Estimated Outlays	250	250	0	0	0
Gross Spending Under H.R. 3150					
Estimated Authorization Level	3,231	2,463	2,848	2,973	3,147
Estimated Outlays	2,230	3,166	2,807	2,958	3,128

Under the bill, the FAA could implement its responsibilities for air transportation safety by using a federal workforce or a mix of federal employees and private-sector employees working under contract for the federal government. For this estimate we have assumed all employees hired to carry out this security function either would be federal employees or would have total compensation costs that are very similar to those estimated for federal employees.

The qualifications for employment would be the same for either federal or contractor-employees under the bill, consequently we expect salaries and benefits would be comparable

regardless of who employs the security personnel required under the legislation. Previous shifts from federal to contractor personnel for the provision of other government services have resulted in savings to the federal government. Whether a combination of federal and contractor security personnel would be less costly than a wholly federal workforce would depend on specific contract terms and the level of competition among private firms to provide these services. In the absence of specific contract terms, however, few generalizations can be made about the costs of a federal workforce relative to a combined federal and contractor workforce.

Based on information from air carriers on security costs under current law, information on the cost of other federal law enforcement programs, and from the Federal Aviation Administration (FAA), CBO estimates that providing and equipping a workforce of passenger and baggage screeners and supervisors would cost \$7.1 billion over the 2002-2006 period.

Background. Under current law, three principal partners provide aviation security at all commercial airports: air carriers, airport authorities, and the FAA. All passenger and baggage screening, both checked and carry-on, is currently the responsibility of air carriers. Air carriers usually contract with private companies to provide trained screeners at security checkpoints. In addition, the air carriers are responsible for security from the screening checkpoints to the airplanes, including jetways. Airport authorities are responsible for security, including law enforcement, of the airport perimeter, parking areas, exterior entry areas, and interior areas up to the passenger-screening checkpoints. Airports also provide law enforcement officers for the screening checkpoints.

The FAA provides security threat information, establishes security policies and regulations, evaluates the effectiveness of airport and airline security programs, conducts research and development on security technology, and purchases and installs certain security equipment in airports. Though the air carriers purchase x-ray machines and metal detectors used at screening checkpoints, FAA purchases much of the other security technologies used in airports.

Hiring Screeners. Within three months following enactment, the Under Secretary would be responsible for screening passengers and their baggage. CBO estimates that implementing this provision would cost about \$6.0 billion over the 2002-2006 period. In addition to personnel, this estimate includes training, testing, and auditing of the screener workforce.

For this estimate, CBO assumes all screening employees would be paid according to the federal general pay schedule. After training, we assume screeners would receive an average base salary of about \$35,500 (GS-7), and federal supervisors would receive about \$52,600 (GS-11). This pay assumption for screeners represents a significant increase over current

salaries—which average less than \$15,000. Based on the cost of benefits for employees of the Customs Service, we estimate that benefits for screening employees would add about 35 percent to this base salary. Based on the historical costs of the Customs Service, we anticipate that screeners would receive significant overtime pay, but supervisors would not. For this estimate, we assume screeners would receive overtime pay equal to about 15 percent of their base salary. In sum, we estimate that the average 2002 cost would be about \$53,000 for each screener and about \$71,000 for each supervisor. CBO assumes that salaries would increase in subsequent years to keep pace with anticipated inflation.

Under current airport security procedures, there are about 16,200 screeners and 2,800 supervisors. For this estimate, we assume that the Under Secretary would maintain a similar-sized workforce for 2002, and would increase the workforce each year to keep pace with increases in the number of passengers on domestic flights (about 3 percent a year, starting in 2003). Expanding the number of screeners to increase security at U.S. airports, however, would impose additional costs. For example, we estimate that hiring one additional screener (with corresponding supervision) for each of the existing 754 airport checkpoints would cost nearly \$60 million a year.

Acquiring and Maintaining Equipment. Based on information from FAA, CBO expects the federal government to purchase additional equipment to examine all passenger baggage at airports (including checked and carry-on items.) CBO estimates that purchasing and maintaining equipment would cost about \$1.1 billion for the 2002-2006 period.

Under current law, only a portion of checked baggage is examined. In order to examine 100 percent of checked baggage, we expect the federal government would need to purchase about 1,500 checked-baggage screening systems, at a cost of about \$1 million each. For every system, we assume that the government would purchase an explosive detection device at a cost of \$40,000 each. Because of production constraints and the physical size of these machines, CBO expects that the government would purchase about 150 new machines each year for several years, for a five-year cost of about \$765 million. In addition, CBO estimates that the annual cost of maintaining these machines would equal about 10 percent of the purchase price, or about \$225 million over the 2002-2006 period.

Based on information from FAA, to increase security for carry-on baggage, the federal government would need to purchase about 850 x-ray machines at a cost of \$55,000 each and 425 explosive detection devices at a cost of \$40,000 each. We expect these machines could be put in place fairly quickly; therefore, we estimate purchasing this equipment would cost about \$65 million over the next few years.

Law Enforcement and Administration for Screeners. The costs associated with administering and managing a screening program under H.R. 3150 would include deploying armed law enforcement officers at screening checkpoints, coordinating ground security, managing screeners, and background checks for screeners. CBO estimates this provision would cost about \$3.1 billion over the 2002-2006 period.

Law Enforcement Officers. H.R. 3150 would authorize the Under Secretary to provide law enforcement officers at each of the existing 754 airport checkpoints as part of its security function. To have one officer on duty at any given time during operating hours could require hiring three officers per day for each checkpoint. For this estimate, we assume that there would be three law enforcement officers, on average, for each checkpoint—a total of 2,262 officers. We also assume that the number of law enforcement officers would increase each year to keep pace with increases in the number of passengers on domestic flights.

Based on current salaries of employees of the Immigration and Naturalization Service (INS), we assume law enforcement officers would receive an average base salary of about \$46,500. Based on the average cost of benefits for employees of the Customs Service and the INS, we assume benefits for airport law enforcement employees would add about 35 percent to this base salary. Finally, based on the historical costs of the Bureau of Alcohol, Tobacco, and Firearms, and the Customs Service, we assume that law enforcement officers would receive overtime pay equal to about 15 percent of their base salary. In total, we estimate that the average cost for each officer would be about \$73,000. CBO expects that salaries would increase in subsequent years to keep pace with anticipated inflation. CBO estimates law enforcement would cost \$1 billion over the five-year period.

Coordination of Security. The bill also would require a senior level security officer at each airport (about 450 positions) and two ground security coordinators at each checkpoint (about 1,500 positions). Assuming that the Under Secretary maintains the current number for each of these functions, CBO estimates that these requirements would cost about \$1 billion over the next five years.

Managing Screening Function. Under current airport security procedures, there are 100 managers in addition to the 19,000 screeners and direct supervisors. For this estimate, we assume the Under Secretary would maintain a similar sized workforce in 2002, and would increase the workforce each year to keep pace with increases in the number of screeners. Assuming managers would be paid according to the federal pay schedule, managers would receive about \$74,000 (GS-13). We estimate that benefits would add 35 percent to this base salary, for a total cost of about \$101,000 for each manager. Thus, CBO estimates that providing the same number of managers as under current law would cost about \$10 million a year.

Administrative Costs. To supervise airport security and screener personnel on a day-to-day basis, CBO estimates that administration staff and infrastructure costs would be about \$1 billion over the five-year period. Background checks for screeners are included in this total.

Air Marshals. Section 6 would authorize the Department of Transportation to place air marshals on selected scheduled passenger flights. Under the bill, CBO estimates that paying for additional air marshals for more commercial flights would cost \$2.2 billion over the 2002-2006 period.

According to DOT, the use of air marshals on every commercial flight would require about 14,000 air marshals. Under current law, the number of air marshals and their deployment on specific flights is classified. Some security experts have noted that the air marshal program could provide adequate security without having a marshal on every flight. For this estimate, CBO assumes that when the program is fully operational 20 percent of flights would have at least one air marshal so the number of air marshals would total about 2,800. Based on information from FAA, CBO estimates that on average each marshal costs about \$170,000 a year, including salary, benefits, training, supervision, equipment, and other administrative expenses.

CBO expects that hiring and training the additional air marshals would take a few years. There probably were fewer than 100 air marshals prior to the terrorist attacks of September 11, 2001. Following the attacks, emergency funds were allocated to hire 400 additional air marshals. Some aviation experts have suggested that hiring, training, and supervising more than 1,000 air marshals in 2002 would be very difficult, if not impossible. For this estimate, we assume that under H.R. 3150 the FAA would hire and train an additional 600 air marshals during 2002. We further assume that the program would be fully operational by 2004, and the number of air marshals would increase to keep pace with increases in the number of flights.

Enhanced Security Measures. Section 7 would authorize the Under Secretary to develop and implement various technologies that would enhance security in airports, at screening checkpoints, and on aircraft. In addition, H.R. 3150 would require the Under Secretary to provide for background checks for individuals seeking flight training or the use of flight simulators. Based on historical spending patterns of research and development programs administered by FAA, CBO estimates that researching and developing new security technologies would cost about \$290 million over the 2002-2006 period.

Reimbursement of Airports for Increased Security Costs. Section 10 would authorize the appropriation of up to \$1.5 billion in fiscal year 2002 to reimburse airports for costs associated with complying with increased security measures following the

September 11, 2001, terrorist attacks. Based on information from the Airports Council International (ACI), CBO estimates the cost of reimbursing airports would be \$1.1 billion over the 2002-2003 period. ACI estimates that airports need an additional 2,552 law enforcement officers at a cost of \$257 million. In addition, ACI estimates that airports will pay \$751 million to upgrade access control equipment for secured areas to meet the new security standards and \$98 million for operating costs. CBO does not expect that all of those upgrades could be completed in 2002.

Grants to Air Carriers. Section 10 also would authorize the appropriation of \$500 million to provide grants to air carriers to cover the costs of reinforcing cockpit doors, providing video monitors to monitor activity in the passenger cabin, ensuring continuous use of the transponder during an emergency, and implementing innovative security technologies. CBO estimates these funds would be spent over the next two years.

Offsetting Collections

CBO estimates that implementing H.R. 3150 would increase offsetting collections by about \$7.3 billion over the 2002-2006 period, as shown in Table 3. Subject to approval in future appropriation acts, H.R. 3150 would require the Under Secretary for Transportation Security to charge passengers a fee to recoup the costs of screening. The Under Secretary would establish such fees at a level sufficient to pay for the cost of screening passengers, but the fee could be no greater than \$2.50 for each one-way trip (known as origin to destination).

Table 3. New Fees Under H.R. 3150

	By Fiscal Year, in Millions of Dollars				
	2002	2003	2004	2005	2006
OFFSETTING COLLECTIONS (Subject to Appropriation)					
Passenger Fees					
Estimated Authorization Level	-760	-1,352	-1,400	-1,552	-1,505
Estimated Outlays	-760	-1,352	-1,400	-1,552	-1,505
Supplemental Fees on Air Carriers					
Estimated Authorization Level	-240	-86	-134	-154	-205
Estimated Outlays	-240	-86	-134	-154	-205
Total Offsetting Collections Under H.R. 3150					
Estimated Authorization Level	-1,000	-1,438	-1,534	-1,606	-1,710
Estimated Outlays	-1,000	-1,438	-1,534	-1,606	-1,710

If the total cost of screening passengers is higher than the amount collected from the passenger fee, the Under Secretary would be authorized to charge air carriers a fee to cover any shortfall. The bill defines passenger screening costs to include: training, equipment, salaries and benefits of screening personnel and their direct supervisors. (Under the bill fees would not offset administrative and law enforcement costs.) Fees would only be collected if the costs for screening are appropriated each year.

Nationwide, the number of air travellers significantly decreased following the terrorist attacks of September 11, 2001. We assume the number of travelers will return to historical levels during fiscal year 2002. For this estimate, we assume the number of passengers on domestic and international flights will grow at historical rates beginning in 2003.

CBO estimates that the passenger fees of less than \$2.50 per one-way trip would be insufficient to pay for the costs of screening passengers during each of fiscal years 2002 through 2006. Thus, CBO estimates that the air carriers would be charged fees to pay for the shortfall totaling about \$800 million over the 2002-2006 period.

PAY-AS-YOU-GO CONSIDERATIONS: None.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

The bill would require airport operators to amend their airport security programs to provide law enforcement protection at each passenger screening location in an airport and manual screening of certain checked baggage. The bill also would preempt state law by exempting certain individuals who attempt to prevent violence or piracy on an aircraft from liability in an action brought in state court. These requirements and the preemption are mandates under UMRA.

Several other provisions of the bill may impose mandates on airport operators, depending on how the Transportation Security Administration implements the requirements. Those provisions include improving screening of personnel and vehicles with access to secured areas of the airport and verifying the identity of individuals entering secure areas of the airport.

In general, airport operators have already taken actions similar to the specific requirements in H.R. 3150 under regulations issued by the FAA since September 11, 2001. Accordingly, CBO estimates that the additional costs of complying with the mandates in the bill would not exceed the threshold established in UMRA (\$56 million in 2001, adjusted annually for inflation).

The bill would authorize the appropriation of \$1.5 billion in fiscal year 2002 for airports to cover the costs of security improvements made as a result of new and revised security requirements issued after September 11, 2001. The bill also would increase the flexibility of airports to use airport improvement funds for security-related projects.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

H.R. 3150 would impose private-sector mandates, as defined by UMRA, on airline passengers, U.S. and foreign air carriers, and commercial airplane manufacturers. CBO estimates that the direct cost of those mandates would exceed the annual threshold established by UMRA for private-sector mandates (\$113 million in 2001, adjusted annually for inflation) in each of the first five years the mandates are in effect.

The bill would require airline passengers to pay a fee for security services of up to \$2.50 for each one-way airline trip originating at airports in the United States. The passenger fee would be collected to pay for the costs of screening passengers and property. Based on data from the Federal Aviation Administration (FAA), CBO estimates the cost of this mandate to airline passengers would rise from \$759 million in fiscal year 2002 to \$1.5 billion in fiscal year 2006.

If the total costs of screening passengers and property is greater than the amount collected from the passenger fee, the bill would authorize the Under Secretary of Transportation for Security to charge U.S. air carriers a fee to cover any shortfall. Based on information from the FAA, CBO estimates that the costs of screening would exceed the passenger fees collected in each of the first five years. Thus, the bill would require U.S. air carriers to pay about \$800 million over the 2002-2006 period. At the same time, U.S. air carriers would experience savings because the bill would direct the federal government to take over the responsibility of airport screening from the air carriers. Based on information from the Air Transport Association, such savings to U.S. air carriers would rise from \$750 million in fiscal year 2002 to \$1.2 billion in fiscal year 2006. The cost of this mandate to U.S. air carriers would be more than offset by those savings.

The bill also would require U.S. and foreign air carriers to collect the passenger fees and remit those fees to the Under Secretary of Transportation for Security. According to the FAA, the cost for the air carriers to collect and remit those fees would be minimal as the air carriers currently collect and remit other fees to the federal government.

H.R. 3150 would require commercial airplane manufacturers to fortify cockpit doors and other security enhancements on new aircraft. The cost of this mandate would be determined by the standards to be set by the FAA. CBO cannot estimate the direct cost of the mandate as the new standards have not been established.

PREVIOUS CBO ESTIMATE

On October 26, 2001, CBO transmitted a cost estimate of S. 1447, the Aviation Security Act, as passed by the Senate on October 11, 2001. S. 1447 would require that all screening personnel be federal employees and the legislation would expire at the end of fiscal year 2004. That legislation would establish a \$2.50 fee paid by air carriers for every time a passenger boards an aircraft (enplanements). Such fees would be governmental receipts under S. 1447; therefore, pay-as-you-go procedures apply to that act. In contrast, the fees to be collected under H.R. 3150 would be triggered by appropriation action, but otherwise are similar to the fees in S. 1447.

CBO identified intergovernmental mandates that are similar though not identical to those found in H.R. 3150. For example, where S. 1447 would require airport authorities to develop the capability to detect chemical and biological weapons, H.R. 3150 would require airports to provide law enforcement at each passenger screening area. H.R. 3150 would limit the authorization of funds to cover security-related costs incurred by airports after September 11 to \$1.5 billion; S. 1447 contained no such limitation.

CBO identified similar private-sector mandates in S. 1447. That bill, however, would require air carriers to pay a \$2.50 fee for security services for each passenger enplanement. CBO estimated that the direct cost of mandates in S. 1447 also would exceed the annual threshold for private-sector mandates.

ESTIMATE PREPARED BY:

Federal Spending: Mark Hadley and Julie Middleton
Impact on State, Local, and Tribal Governments: Susan Sieg Tompkins
Impact on the Private Sector: Paige Piper/Bach

ESTIMATE APPROVED BY:

Peter H. Fontaine
Deputy Assistant Director for Budget Analysis